

(2) *Payment by authorized electronic means.* Payment may be made by electronic means approved by the Department, provided the bidder, or the submitter on behalf of the bidder, has met the necessary conditions, and has satisfactorily completed any required authorizations, for such means of payment.

(3) *Authorized charge to a funds account.* Where payment is not submitted with the tender or made by an authorized electronic means, an authorization to charge the funds account of a depository institution must be provided as follows:

(i) A depository institution with a funds account submitting tenders directly to a Federal Reserve Bank may authorize the Bank to charge its funds account upon delivery of the securities.

(ii) A submitter that chooses not to pay by charge to its funds account or a submitter that does not have a funds account must, prior to the submission of a tender, have an acknowledged autocharge agreement on file at the Federal Reserve Bank to which the tender is submitted. By submitting a tender for securities to be paid for under such autocharge agreement, the submitter authorizes the Federal Reserve Bank to provide, to the depository institution whose funds account will be charged under the agreement, notice of the total par amount of, and price to be charged for, securities awarded as a result of the submitter's tender.

(iii) In addition, a submitter that is a member of a clearing corporation may instruct that delivery and payment be made through the clearing corporation for securities awarded to the submitter for its own account, provided that the following requirements are met:

(A) The submitter must, prior to the submission of a tender for such securities, have a delivery and payment agreement with the clearing corporation acknowledged by, and on file at, the Federal Reserve Bank to which the tender is submitted. By entering into such an agreement, the submitter authorizes the Federal Reserve Bank to provide to the clearing corporation notice of the par amounts of, prices to be charged for, and total payment

amounts for, securities awarded to the submitter for its own account.

(B) An autocharge agreement between the clearing corporation and the depository institution must, prior to the submission of a tender for such securities, be acknowledged by, and on file at, the Federal Reserve Bank servicing the depository institution. By entering into such an agreement, the clearing corporation authorizes the Federal Reserve Bank to which the tender is submitted to provide, to the depository institution whose funds account will be charged under the agreement, notice of the total aggregate par amount of, prices to be charged for, and total payment amounts for, securities to be delivered to the clearing corporation's designated account at the depository institution.

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28774, June 3, 1994. Redesignated at 61 FR 37010, July 16, 1996, as amended at 61 FR 54909, Oct. 22, 1996; 62 FR 852, Jan. 6, 1997; 62 FR 32032, June 12, 1997]

Subpart C—Determination of Auction Awards; Settlement

§ 356.20 Determination of auction awards.

(a) *Determining the range and amount of accepted competitive bids—(1) Accepting bids.* Determinations of awards in auctions are made after the closing time for receipt of bids. In determining auction awards, all noncompetitive bids received by the closing time specified in the offering announcement are accepted in full. Then competitive bids are accepted, starting with those at the lowest yields or discount rates through successively higher yields or discount rates, up to the amount required to meet the offering amount. Bids at the highest accepted yield or discount rate will be prorated (as described in paragraph (a)(2) of this section), if necessary. If the amount of noncompetitive bids would absorb most or all of the offering amount, competitive bids will be accepted in an amount determined by Treasury to be sufficient to provide a fair determination of the yield or discount rate for the securities being auctioned.

(2) *Accepting bids at the high yield or discount rate.* When the total amount of

§ 356.21

bids at the highest accepted yield or discount rate exceeds the amount of the offering amount remaining after acceptance of noncompetitive bids and competitive bids at the lower yields or discount rates, a percentage of the bids received at the highest accepted yield or discount rate will be awarded. This proration is performed for the purpose of awarding a par amount of securities close to the offering amount. The percentage is derived by dividing the remaining par amount needed to fill the offering amount by the par amount of the bids recognized at the high yield or rate and rounding up to the next hundredth of a whole percentage point, for example, 17.13%.

(b) *Determining the interest rate for new note and bond issues.* The interest rate established as a result of the auction will be set at a 1/8 of one percent increment. For single-price auctions, the interest rate established produces the price closest to, but not above, par when evaluated at the yield awarded to successful competitive bidders. For multiple-price auctions, the interest rate established produces the price closest to, but not above, par when evaluated at the weighted-average yield of awards to successful competitive bidders.

(c) *Determining purchase prices for awarded securities.* Price calculations will be rounded to three decimal places on the basis of price per hundred, e.g., 99.954. (See appendix B.)

(1) *Multiple-price auctions—(i) Competitive bids.* The price of securities awarded to competitive bidders is the price equivalent to each yield or discount rate at which their bids were accepted.

(ii) *Noncompetitive bids.* The price of securities awarded to noncompetitive bidders is the price equivalent to the weighted average yield or discount rate of accepted competitive bids.

(2) *Single-price auctions.* The price of securities awarded to both competitive and noncompetitive bidders is the price equivalent to the highest yield or discount rate at which bids were accepted. For inflation-indexed securities, the price of such securities will be the

31 CFR Ch. II (7–1–04 Edition)

price equivalent to the highest real yield at which bids were accepted.

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 852, Jan. 6, 1997; 64 FR 3634, Jan. 25, 1999; 67 FR 68516, Nov. 12, 2002]

§ 356.21 Proration of awards.

(a) *Awards to submitters.* In auctions where bids at the highest accepted yield or discount rate are prorated under § 356.20(a)(2) of this part, the Federal Reserve Banks are responsible for prorating awards for submitters at the percentage announced by the Department. For example, if 80.15% is the announced percentage at the highest yield or discount rate, then each bid at that rate or yield shall be awarded 80.15% of the amount bid. Hence, a bid for \$100,000,000 at the highest accepted yield or discount rate would be awarded \$80,150,000. In all cases, awards will be for at least the minimum to hold, and awards must be in an appropriate multiple to hold. Awards at the highest accepted yield or rate are adjusted upwards, if necessary, to an appropriate multiple to hold. For example, Treasury bills may be issued with a minimum to hold of \$1,000 and multiples of \$1,000. Where an \$18,000 bid is accepted at the high discount rate, and the percent awarded at the high discount rate is 88.27%, the award to that bidder will be \$16,000, representing an upward adjustment from \$15,888.60 ($\$18,000 \times .8827$) to an appropriate multiple to hold. If tenders at the highest accepted discount rate are prorated at, for example, a rate of 4.65%, the award for a \$10,000 bid will be \$1,000, instead of \$465, in order to meet the minimum to hold for a bill issue.

(b) *Awards to customers.* In auctions where bids at the highest accepted yield or discount rate are prorated under § 356.20(a)(2), depository institutions and dealers, whether submitters or intermediaries, are responsible for prorating awards for their customers at the same percentage as that announced by the Department. For example, if 80.15% is the announced percentage at the highest yield or discount rate, then each customer bid at that rate or yield shall be awarded 80.15%.